



**Auditor of State  
Betty Montgomery**



**CANFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Canfield Local School District  
Mahoning County  
100 Wadsworth Street  
Canfield, Ohio 44406

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. Also, as reported in Note 2 J, the District changed its capitalization threshold for capital assets from \$100 to \$2,500 during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 30, 2004

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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This discussion and analysis of Canfield Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2003 are as follows:

- In total, net assets increased by \$889,322.
- Revenues for governmental activities totaled \$23,216,187 in 2003. Of this total, 92 percent consisted of general revenues while program revenues accounted for the balance of 8 percent.
- Program expenses totaled \$22,326,865. Instructional expenses made up 57 percent of this total while support services accounted for 36 percent. Other expenses rounded out the remaining 7 percent.
- Outstanding general obligation debt decreased by \$1,385,922.
- The general fund balance was \$1,135,930 on a budget basis at fiscal year end, up from \$838,970 at June 30, 2002.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Canfield Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Canfield Local School District, the general fund and the bond retirement fund are the most significant funds.

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capability and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

**Table 1**  
 Net Assets  
 Governmental Activities

	2003	2002
<b>Assets</b>		
Current and Other Assets	\$19,025,749	\$15,916,258
Capital Assets	17,462,153	18,201,058
<i>Total Assets</i>	36,487,902	34,117,316
<b>Liabilities</b>		
Current Liabilities	18,036,535	15,368,926
Long-Term Liabilities		
Due within One Year	253,525	273,508
Due in More than One Year	13,892,820	15,059,182
<i>Total Liabilities</i>	32,182,880	30,701,616
<b>Net Assets</b>		
Invested in Capital Assets		
Net of Related Debt	5,358,446	4,711,429
Restricted for:		
Capital Projects	119,962	130,005
Debt Service	1,350,325	1,340,464
Other Purposes	177,527	130,035
Set Asides	83,211	0
Instructional Materials and Supplies:		
Expendable	3,242	1,572
Nonexpendable	25,052	25,052
Unrestricted (Deficit)	(2,812,743)	(2,922,857)
<i>Total Net Assets</i>	\$4,305,022	\$3,415,700

Total assets increased by \$2,370,586. The majority of the increase can be directly attributed to property taxes receivable from the passage of the new 6.9 mill levy. This increase was offset by a decrease in net capital assets due to annual depreciation.

Total liabilities increased by \$1,481,264. The most notable area that increased was deferred revenue also attributable to the property taxes receivable due to the passage of the new levy. The increase in liabilities was also due to increased salaries and step increases.

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$889,322.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$21,464,880 or 92 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,751,307 or 8 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
 Change in Net Assets  
 Governmental Activities

	2003
<b>Revenues</b>	
<b><i>Program Revenues</i></b>	
Charges for Services and Sales	\$1,005,138
Operating Grants and Contributions	650,810
Capital Grants and Contributions	95,359
<i>Total Program Revenues</i>	1,751,307
<b><i>General Revenues</i></b>	
Property Taxes	13,215,187
Intergovernmental	8,043,715
Investment Earnings	181,485
Miscellaneous	24,493
<i>Total General Revenues</i>	21,464,880
<i>Total Revenues</i>	23,216,187
<b><i>Program Expenses</i></b>	
Current:	
Instruction:	
Regular	11,310,820
Special	1,130,454
Vocational	223,371
Support Services:	
Pupil	748,653
Instructional Staff	1,203,984
Board of Education	39,102
Administration	1,449,080
Fiscal	452,952
Business	249,556
Operation and Maintenance of Plant	2,046,624
Pupil Transportation	1,469,395
Central	\$239,879

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**Table 2 (continued)**  
 Change in Net Assets  
 Governmental Activities

	2003
<b><i>Program Expenses</i></b>	
Operation of Non-Instructional Services	\$56,549
Operation of Food Services	702,187
Extracurricular Activities	825,095
Interest and Fiscal Charges	179,164
<i>Total Program Expenses</i>	22,326,865
<i>Increase in Net Assets</i>	889,322
Net Assets Beginning of Year	3,415,700
<i>Net Assets End of Year</i>	\$4,305,022

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five fiscal years. In November of 2002, the School District successfully passed a 6.9 mill five-year continuing operating levy that is estimated to generate \$3,067,085 in additional revenue per year. This additional income will be dedicated to the operational and capital needs of the School District.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 57 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 36 percent. The remaining amount of program expenses, 7 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>		
Instruction:		
Regular	\$11,310,820	\$11,054,468
Special	1,130,454	1,084,268
Vocational	223,371	203,596
Support Services:		
Pupil	748,653	675,381
Instructional Staff	1,203,984	1,100,217
Board of Education	39,102	39,102
Administration	1,449,080	1,339,669
Fiscal	452,952	452,952
Business	249,556	249,556
Operation and Maintenance of Plant	2,046,624	2,032,844
Pupil Transportation	1,469,395	1,393,382
Central	239,879	239,879
Operation of Non-Instructional Services	56,549	11,185
Food Service Operation	702,187	7,928
Extracurricular Activities	825,095	511,967
Interest and Fiscal Charges	179,164	179,164
<i>Total Expenditures</i>	<b>\$22,326,865</b>	<b>\$20,575,558</b>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 60 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 37 percent and program revenues support the majority of the remaining expenses.

**The School District's Funds**

Information regarding the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,024,566 and note proceeds of \$11,090,000 to offset expenditures of \$34,133,562. The net change in fund balance for the year was most significant in the debt service fund, which decreased \$240,738. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, property taxes are the largest revenue source, accounting for nearly 57 percent of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Canfield Local School District.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the General fund.

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

During the course of fiscal year 2003, the School District did not require any amendments to its original general fund appropriations. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual revenue totaled \$1,712,332 more than original estimates. The majority of this increase is attributable to the half year collection from the new 6.9 mill operating levy offset by the state's budget reduction amount of \$146,594. Actual expenditures totaled \$598,747 less than original appropriations. The majority of this difference was due to a budgeted health insurance premium increase that did not occur and overall conservative spending by all School District personnel.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2003, the School District had \$17,462,153 invested in land, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002:

**Table 4**  
 Capital Assets at June 30 (Net of Depreciation)

	2003	2002
Land	\$361,849	\$361,849
Buildings and Improvements	15,422,295	15,909,272
Furniture and Equipment	834,691	940,478
Vehicles	843,318	989,459
<i>Total</i>	\$17,462,153	\$18,201,058

All capital assets, except land, are reported net of depreciation. As one can see, a decrease in capital assets during the fiscal year occurred in all categories due to the annual depreciation. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

***Debt***

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

**Table 5**  
 Outstanding Debt at Year End

	2003	2002
School Improvement Bonds	\$284,000	\$355,000
Energy Conservation Note	694,493	744,146
School Improvement Notes	11,090,000	12,290,000
Capital Leases	35,214	100,483
<i>Total</i>	\$12,103,707	\$13,489,629

**Canfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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The School Improvement Bonds were issued in 2001 to purchase acreage for future school expansion. The energy conservation notes were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings. The school improvement notes were issued in 1998 to provide for additions and renovations to all buildings within the district. For more information about the School District's debt, see Note 14 to the basic financial statements.

**School District Outlook**

The Canfield Local School District has continued to maintain a high level of service to our students, parents and community. Since the inception of the State rating scale, the Canfield Local School District has continuously earned an "Excellent" rating while maintaining an average cost per pupil well below the state average. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and are doing everything in their power to make sure tax dollars are being used efficiently and effectively.

However, the financial future of the School District is not without its challenges. The School District is not anticipating any meaningful growth in State revenue due to uncertainties surrounding the State budget and the States unwillingness to funnel funds to school districts with higher property valuations per pupil. Therefore the School District relies heavily on its taxpayers to support its operations and while the community has supported the School District in the past, most recently with the passage of a 6.9 mill operating levy in 2002, passage rates are declining and it is becoming increasingly more difficult to secure the local support.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Patricia P. Kesner, Treasurer, Canfield Local School District, 100 Wadsworth Street, Canfield, Ohio 44406 or email at [canf\\_pk@access-k12.org](mailto:canf_pk@access-k12.org).

# Canfield Local School District

## Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,241,963
Accounts Receivable	14,107
Intergovernmental Receivable	51,505
Prepaid Items	18,257
Inventory Held for Resale	6,271
Materials and Supplies Inventory	41,453
Property Taxes Receivable	15,652,193
Nondepreciable Capital Assets	361,849
Depreciable Capital Assets, Net	<u>17,100,304</u>
<i>Total Assets</i>	<u>36,487,902</u>
<b>Liabilities</b>	
Accounts Payable	12,778
Accrued Wages	1,863,739
Intergovernmental Payable	628,770
Matured Compensated Absences Payable	16,333
Deferred Revenue	15,059,927
Accrued Interest Payable	172,411
Claims Payable	282,577
Long-Term Liabilities:	
Due Within One Year	253,525
Due In More Than One Year	<u>13,892,820</u>
<i>Total Liabilities</i>	<u>32,182,880</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,358,446
Restricted for:	
Capital Projects	119,962
Debt Service	1,350,325
Other Purposes	177,527
Set-asides	83,211
Instructional Materials and Supplies:	
Expendable	3,242
Nonexpendable	25,052
Unrestricted (Deficit)	<u>(2,812,743)</u>
<i>Total Net Assets</i>	<u><u>\$4,305,022</u></u>

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$11,310,820	\$132,866	\$76,048	\$47,438	(\$11,054,468)
Special	1,130,454	0	46,186	0	(1,084,268)
Vocational	223,371	0	19,775	0	(203,596)
Support Services:					
Pupil	748,653	0	73,272	0	(675,381)
Instructional Staff	1,203,984	0	103,767	0	(1,100,217)
Board of Education	39,102	0	0	0	(39,102)
Administration	1,449,080	0	109,411	0	(1,339,669)
Fiscal	452,952	0	0	0	(452,952)
Business	249,556	0	0	0	(249,556)
Operation and Maintenance of Plant	2,046,624	0	2,773	11,007	(2,032,844)
Pupil Transportation	1,469,395	0	39,099	36,914	(1,393,382)
Central	239,879	0	0	0	(239,879)
Operation of Non-Instructional Services	56,549	0	45,364	0	(11,185)
Operation of Food Services	702,187	576,539	117,720	0	(7,928)
Extracurricular Activities	825,095	295,733	17,395	0	(511,967)
Interest and Fiscal Charges	179,164	0	0	0	(179,164)
<b>Totals</b>	<b>\$22,326,865</b>	<b>\$1,005,138</b>	<b>\$650,810</b>	<b>\$95,359</b>	<b>(20,575,558)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	11,842,020
Debt Service	1,249,473
Capital Outlay	123,694
Grants and Entitlements not Restricted to Specific Programs	8,043,715
Investment Earnings	181,485
Miscellaneous	24,493

*Total General Revenues* 21,464,880

Change in Net Assets 889,322

*Net Assets Beginning of Year - See Note 3* 3,415,700

*Net Assets End of Year* \$4,305,022

See accompanying notes to the basic financial statements



**Canfield Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,021,014	\$1,484,118	\$393,691	\$2,898,823
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	83,211	0	0	83,211
Receivables:				
Taxes	14,345,207	1,171,290	135,696	15,652,193
Accounts	12,857	0	1,250	14,107
Intergovernmental	35,126	0	16,379	51,505
Prepaid Items	18,257	0	0	18,257
Inventory Held for Resale	0	0	6,271	6,271
Materials and Supplies Inventory	39,514	0	1,939	41,453
<i>Total Assets</i>	<u>\$15,555,186</u>	<u>\$2,655,408</u>	<u>\$555,226</u>	<u>\$18,765,820</u>
<b>Liabilities</b>				
Accounts Payable	\$7,581	\$0	\$5,197	\$12,778
Accrued Wages Payable	1,843,128	0	20,611	1,863,739
Intergovernmental Payable	415,376	0	6,159	421,535
Matured Compensated Absences Payable	16,333	0	0	16,333
Deferred Revenue	14,345,207	1,171,290	135,696	15,652,193
<i>Total Liabilities</i>	<u>16,627,625</u>	<u>1,171,290</u>	<u>167,663</u>	<u>17,966,578</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	0	0	21,530	21,530
Reserved for Bus Purchase	20,462	0	0	20,462
Reserved for Textbooks	62,749	0	0	62,749
Unreserved:				
Designated				
Underground Storage Tanks	0	0	11,000	11,000
Undesignated, Reported in:				
General Fund (Deficit)	(1,155,650)	0	0	(1,155,650)
Debt Service Fund	0	1,484,118	0	1,484,118
Special Revenue Funds	0	0	209,764	209,764
Capital Projects Funds	0	0	116,975	116,975
Permanent Fund	0	0	28,294	28,294
<i>Total Fund Balances (Deficit)</i>	<u>(1,072,439)</u>	<u>1,484,118</u>	<u>387,563</u>	<u>799,242</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,555,186</u>	<u>\$2,655,408</u>	<u>\$555,226</u>	<u>\$18,765,820</u>

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

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<b>Total Governmental Fund Balances</b>	<b>\$799,242</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	17,462,153
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	592,266
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(207,235)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(22,648)
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.	(172,411)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(2,036,836)
General Obligation Bonds	(284,000)
Energy Conservation Loan	(694,493)
Capital Leases	(35,214)
Notes Payable	(11,095,802)
Total	(14,146,345)
<i>Net Assets of Governmental Activities</i>	<b>\$4,305,022</b>

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$11,652,398	\$1,254,653	\$122,430	\$13,029,481
Intergovernmental	7,969,387	171,603	601,593	8,742,583
Interest	173,267	0	3,911	177,178
Tuition and Fees	12,600	0	120,266	132,866
Extracurricular Activities	0	0	284,173	284,173
Rentals	10,960	0	600	11,560
Contributions and Donations	0	0	45,693	45,693
Charges for Services	0	0	576,539	576,539
Miscellaneous	1,450	0	23,043	24,493
<i>Total Revenues</i>	<u>19,820,062</u>	<u>1,426,256</u>	<u>1,778,248</u>	<u>23,024,566</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,684,200	0	172,711	10,856,911
Special	1,038,663	0	46,683	1,085,346
Vocational	233,364	0	0	233,364
Support Services:				
Pupil	669,192	0	74,079	743,271
Instructional Staff	1,060,044	0	142,745	1,202,789
Board of Education	39,115	0	0	39,115
Administration	1,228,328	0	99,116	1,327,444
Fiscal	383,063	0	0	383,063
Business	241,342	0	0	241,342
Operation and Maintenance of Plant	1,983,485	0	2,773	1,986,258
Pupil Transportation	1,312,613	0	13,188	1,325,801
Central	179,192	0	11,491	190,683
Operation of Non-Instructional Services	0	0	45,861	45,861
Operation of Food Services	0	0	650,584	650,584
Extracurricular Activities	481,518	0	271,264	752,782
Capital Outlay	0	0	134,876	134,876
Debt Service:				
Principal Retirement	3,061	12,410,653	62,208	12,475,922
Interest and Fiscal Charges	58	454,548	3,544	458,150
<i>Total Expenditures</i>	<u>19,537,238</u>	<u>12,865,201</u>	<u>1,731,123</u>	<u>34,133,562</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>282,824</u>	<u>(11,438,945)</u>	<u>47,125</u>	<u>(11,108,996)</u>
<b>Other Financing Sources (Uses)</b>				
General Obligation Notes Issued	0	11,090,000	0	11,090,000
Premium on Notes Issued	0	23,207	0	23,207
Transfers In	0	85,000	0	85,000
Transfers Out	(85,000)	0	0	(85,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(85,000)</u>	<u>11,198,207</u>	<u>0</u>	<u>11,113,207</u>
<i>Net Change in Fund Balances</i>	197,824	(240,738)	47,125	4,211
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>(1,270,263)</u>	<u>1,724,856</u>	<u>340,438</u>	<u>795,031</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,072,439)</u>	<u>\$1,484,118</u>	<u>\$387,563</u>	<u>\$799,242</u>

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

**Net Change in Fund Balances - Total Governmental Funds** \$4,211

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	59,128
Current Year Depreciation	<u>(798,033)</u>

Total (738,905)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues were attributed to property taxes. 185,706

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Notes Issued	(11,090,000)
Premium on Notes	<u>(23,207)</u>

Total (11,113,207)

Repayment of long-term debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 12,475,922

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	261,581
Amortization of Premium	<u>17,405</u>

Total 278,986

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(193,775)
Pension Obligation	<u>(22,460)</u>

Total (216,235)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

12,844

*Change in Net Assets of Governmental Activities* \$889,322

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2003*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$10,655,032	\$11,652,400	\$11,652,398	(\$2)
Intergovernmental	7,271,362	7,952,000	7,969,387	17,387
Interest	158,375	173,200	173,285	85
Tuition and Fees	11,613	12,700	12,683	(17)
Rentals	9,327	10,200	10,210	10
Miscellaneous	1,372	1,500	1,450	(50)
<i>Total Revenues</i>	<u>18,107,081</u>	<u>19,802,000</u>	<u>19,819,413</u>	<u>17,413</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,690,251	10,690,251	10,541,498	148,753
Special	1,122,680	1,122,680	1,022,255	100,425
Vocational	245,165	245,165	239,975	5,190
Support Services:				
Pupil	733,015	733,015	680,726	52,289
Instructional Staff	1,128,135	1,128,135	1,088,825	39,310
Board of Education	42,590	42,590	39,115	3,475
Administration	1,267,095	1,267,095	1,228,216	38,879
Fiscal	406,535	406,535	394,854	11,681
Business	258,855	258,855	238,575	20,280
Operation and Maintenance of Plant	2,094,885	2,094,885	1,977,318	117,567
Pupil Transportation	1,350,480	1,350,480	1,314,085	36,395
Central	185,415	185,415	181,229	4,186
Extracurricular Activities	507,980	507,980	487,663	20,317
Debt Service:				
Principal Retirement	3,061	3,061	3,061	0
Interest and Fiscal Charges	58	58	58	0
<i>Total Expenditures</i>	<u>20,036,200</u>	<u>20,036,200</u>	<u>19,437,453</u>	<u>598,747</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,929,119)	(234,200)	381,960	616,160
<b>Other Financing Uses</b>				
Transfers Out	(85,000)	(85,000)	(85,000)	0
<i>Net Change in Fund Balance</i>	(2,014,119)	(319,200)	296,960	616,160
<i>Fund Balance Beginning of Year</i>	825,970	825,970	825,970	0
Prior Year Encumbrances Appropriated	13,000	13,000	13,000	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$1,175,149)</u>	<u>\$519,770</u>	<u>\$1,135,930</u>	<u>\$616,160</u>

See accompanying notes to the basic financial statements

**Canfield Local School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2003*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$259,929
<b>Liabilities</b>	
Claims Payable	<u>282,577</u>
<b>Net Assets</b>	
Unrestricted	<u><u>(\$22,648)</u></u>

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2003*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$627,480
<b>Operating Expenses</b>	
Purchased Services	17,537
Claims	603,014
<i>Total Operating Expenses</i>	620,551
<i>Operating Income</i>	6,929
<b>Non-Operating Revenues</b>	
Interest	5,915
<i>Change in Net Assets</i>	12,844
<i>Net Deficit Beginning of Year</i>	(35,492)
<i>Net Deficit End of Year</i>	(\$22,648)

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Insurance
<i><b>Increase in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$627,480
Cash Payments for Goods and Services	(17,537)
Cash Payments for Claims	(544,574)
<i>Net Cash Provided by Operating Activities</i>	65,369
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	5,915
<i>Net Increase in Cash and Cash Equivalents</i>	71,284
<i>Cash and Cash Equivalents Beginning of Year</i>	188,645
<i>Cash and Cash Equivalents End of Year</i>	\$259,929
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$6,929
Adjustments:	
Increase in Claims Payable	58,440
<i>Net Cash Provided by Operating Activities</i>	\$65,369
 See accompanying notes to the basic financial statements	



**Canfield Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2003*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$12,554	\$73,628
<b>Liabilities</b>		
Due to Students	0	\$73,628
<b>Net Assets</b>		
Held in Trust for Scholarships	\$12,554	

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Scholarship
<b>Additions</b>	
Interest	\$277
<b>Deductions</b>	
Scholarships Awarded	265
<i>Change in Net Assets</i>	12
<i>Net Assets Beginning of Year</i>	12,542
<i>Net Assets End of Year</i>	\$12,554

See accompanying notes to the basic financial statements

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 1 - Description of the School District and Reporting Entity**

The Canfield Local School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and/or Federal agencies. The Board of Education controls the School District’s four instructional support facilities staffed by 142 non-certificated and 193 certified teaching personnel and 11 administrators who provide services to students and other community members.

The School District is located in Canfield Ohio, Mahoning County. The enrollment for the School District during the 2003 fiscal year was 3,101. The School District operates two elementary schools (K-4), one middle school (5-8), and one high school (9-12).

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Canfield Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Canfield Local School District.

The School District participates in two jointly governed organizations and three public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan and the Mahoning County Schools Employee Insurance Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District’s accounting policies are described below.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

***General Fund*** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

***Bond Retirement Fund*** The bond retirement fund accounts for property tax revenues that are used for payment of principal and interest and fiscal charges on general obligation debt.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, prescription drug, dental and vision claims of the School District's employees.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund. The money in the fund is used to grant scholarships to certain eligible students of the School District. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and flowers for certain occasions.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

The private purpose trust fund is accounted for using the economic resources measurement focus.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***E. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2003, investments were limited to certificates of deposit and repurchase agreements, reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$173,267, which includes \$106,815 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

***I. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set-aside for the purchase of textbooks. See Note 16 for additional information regarding set asides.

***J. Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Furniture and Equipment	5 - 10 years
Vehicles	10 years

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.



**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations, extracurricular activities and grants.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***N. Fund Balance Reserves and Designations***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, bus purchases and textbooks.

Designations represent tentative plans for future use of financial resources. A designation of fund equity has been established by the Board for the potential liability of leaks in underground storage tanks.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
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***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

***P. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

**Canfield Local School District**  
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GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

The government-wide financial statements split the School District's programs between business-type and governmental activities. The School District has no business type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund, reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

**Restatement of Fund Balance** For the School District, it was determined that enterprise funds should be reclassified as special revenue funds. The new standards for reporting fund obligations for compensated absences in Interpretation 6 also caused changes in previously reported fund balances. The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Bond Retirement	Nonmajor	Total
Fund Balances, June 30, 2002	(\$1,334,634)	\$1,724,856	\$323,460	\$713,682
Fund Reclassification	14,634	0	(14,718)	(84)
Interpretation No. 6				
Compensated Absences	49,737	0	31,696	81,433
Adjusted Fund Balances, June 30, 2002	<u>(\$1,270,263)</u>	<u>\$1,724,856</u>	<u>\$340,438</u>	<u>795,031</u>
GASB 34 Adjustments:				
Capital Assets				18,201,058
Internal Service Fund				(35,492)
Pension Obligations				(184,775)
Accrued Interest				(433,992)
Long-Term Liabilities:				
Compensated Absences				(1,843,061)
Capital Leases				(100,483)
Long-Term Notes				(12,290,000)
Bonds and Energy Conservation Loans				(1,099,146)
Long-Term (Deferred) Assets				406,560
Governmental Activities Net Assets, June 30, 2002				<u>\$3,415,700</u>

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 4 – Accountability and Compliance**

***A. Accountability***

At June 30, 2003, the general fund and the self-insurance fund had a deficit fund balance/net assets in the amounts of \$1,072,439 and \$22,648 respectively. The deficit in the general fund resulted from recognizing liabilities at year end and the related expenditures.

In the previous fiscal year, the School District passed a 6.9 mill five year operating levy that should generate \$3,067,000 annually. The School District feels that these additional revenues should eliminate the general fund deficit. Management is currently analyzing the self-insurance internal service fund operations to determine appropriate steps to alleviate the deficit.

***B. Compliance***

The general fund had original appropriations of \$1,175,149 in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code. This oversight was identified and corrected by fiscal year end.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$197,824
Net Adjustment for Revenue Accruals	(35,354)
Ending Unreported Cash	34,705
Net Adjustment for Expenditure Accruals	96,785
Adjustment for Encumbrances	3,000
Budget Basis	<u>\$296,960</u>

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 6 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
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6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$48,169 and the bank balance was \$315,318. Of the bank balance:

1. \$142,393 of the bank balance was covered by depository insurance; and
2. \$172,925 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$3,279,379	\$3,279,379	\$3,279,379
STAROhio	0	597	597
Total	\$3,279,379	\$3,279,976	\$3,279,976

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The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$3,328,145	\$0
Investments which are part of a cash management pool:		
Repurchase Agreements	(3,279,379)	3,279,379
STAROhio	(597)	597
<i>GASB Statement No. 3</i>	\$48,169	\$3,279,976

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments

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collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end.. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At year-end the School District requested, received and appropriated \$8,365,000 available as an advance. At June 30, 2002 the School District requested, received and appropriated all money available as an advance.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$416,468,090	93.69 %	\$428,592,210	93.79 %
Public Utility Personal	8,991,600	2.02	9,481,380	2.08
Tangible Personal Property	19,045,330	4.29	18,886,070	4.13
<b>Total</b>	<u><u>\$444,505,020</u></u>	<u><u>100.00 %</u></u>	<u><u>\$456,959,660</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$58.35		 \$58.35	

**Note 8 - Receivables**

Receivables at June 30, 2003, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Grant Reimbursements	\$35,126
Federal Lunchroom Reimbursement	11,439
Training and Assistance Program	3,500
Title VI-B Grant	<u>1,440</u>
<b>Total</b>	<u><u>\$51,505</u></u>



**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Balance</u> 6/30/02	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 6/30/03
Governmental Activities:				
Capital assets not being depreciated				
Land	\$361,849	\$0	\$0	\$361,849
Capital assets being depreciated				
Buildings and improvements	23,246,377	0	0	23,246,377
Furniture, fixtures and equipment	2,309,848	42,728	0	2,352,576
Vehicles	2,063,645	16,400	0	2,080,045
Total capital assets being depreciated	<u>27,619,870</u>	<u>59,128</u>	<u>0</u>	<u>27,678,998</u>
Accumulated depreciation				
Buildings and improvements	(7,337,105)	(486,977)	0	(7,824,082)
Furniture, fixtures and equipment	(1,369,370)	(148,515)	0	(1,517,885)
Vehicles	(1,074,186)	(162,541)	0	(1,236,727)
Total accumulated depreciation	<u>(9,780,661)</u>	<u>(798,033) *</u>	<u>0</u>	<u>(10,578,694)</u>
Capital assets being depreciated, net	<u>17,839,209</u>	<u>(738,905)</u>	<u>0</u>	<u>17,100,304</u>
Governmental activities capital assets, net	<u>\$18,201,058</u>	<u>(\$738,905)</u>	<u>\$0</u>	<u>\$17,462,153</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$398,199
Special	32,215
Vocational	8,170
Support Services:	
Pupil	19,812
Instructional Staff	4,305
Administration	5,954
Fiscal	1,842
Business	772
Operation and Maintenance of Plant	51,463
Pupil Transportation	148,121
Operation of Food Services	50,636
Extracurricular	76,544
Total Depreciation Expense	<u>\$798,033</u>

**Canfield Local School District**  
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**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted for the following insurance coverage:

Type of Coverage	Coverage
<b>Coverage provided by Indiana Insurance:</b>	
Property/Boiler and Machinery (\$2,500 deductible)	\$55,566,824
Inland Marine (\$1,000 deductible)	2,917,110
Crime (\$2,500 deductible)	25,000
Fleet Insurance, single limit (\$250 deductible - comprehensive) (\$500 deductible - collision)	1,000,000
<b>Coverage provided by The Ohio School Plan:</b>	
General Liability	
in aggregate	\$3,000,000
Per occurrence	1,000,000
<b>Coverage provided by The Hartford Plan:</b>	
Excess Liability Coverage	
in aggregate	\$1,000,000
Per occurrence	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

***B. Workers' Compensation***

The School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Comp Management, Inc., provides administrative, cost control, and actuarial services to the GRP.

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**C. Employee Medical Benefits**

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits since 1982. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Canfield Local School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays ninety-five percent of the monthly medical/surgical premiums of \$868 for family coverage and \$357 for single coverage per employee.

The School District has elected to provide vision, dental and prescription drug benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Professional Risk Management, located in Youngstown, Ohio, reviews all claims which are then paid by the School District. The School District pays into the insurance reserve internal service fund \$11 for family vision coverage or \$6 for single vision coverage per employee per month, \$55 for dental per month and \$170 for family and \$73 for single prescription drug coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$282,577 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the claims liability amount during the last two fiscal years were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$275,454	\$449,511	\$500,828	\$224,137
2003	224,137	603,014	544,574	282,577

**Note 11 - Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$225,310, \$110,977 and \$103,736 respectively; 39.78 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,296,394, \$918,868, and \$852,003 respectively; 83.45 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$7,480 made by the School District and \$9,706 made by the plan members.

**Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$99,723 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$213,021.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**Note 13 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for certified employees, administrators and classified employees. Upon retirement, classified employees, bus drivers and teachers receive payments for fifty percent of the total sick leave accumulation up to a maximum of 60 days. Administrators receive payment for fifty percent of the total sick leave accumulation up to 75 days.

**B. Life Insurance**

The School District provides life insurance to all regular employees. Coverage is equal to the annual salary for administrators, the annual salary for certified employees with a minimum of \$28,000 and a maximum of \$50,000, \$20,000 for classified employees and \$25,000 for bus drivers and mechanics. Life insurance coverage is provided through Canada Life.

**Note 14 - Long-term Obligations**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Amounts due in One Year
<b>Governmental-Type Activities</b>					
2002 School Improvement Note 3.25%	\$12,290,000	\$0	\$12,290,000	\$0	\$0
2003 School Improvement Note 1.85%	0	11,090,000	0	11,090,000	0
<b>Total School Improvement Notes</b>	<b>12,290,000</b>	<b>11,090,000</b>	<b>12,290,000</b>	<b>11,090,000</b>	<b>0</b>
2002 School Improvement Bonds 4.5%	355,000	0	71,000	284,000	71,000
1990 Energy Conservation Note 4.75%	744,146	0	49,653	694,493	52,012
Premium on Note Issued	0	23,207	17,405	5,802	5,802
Capital Leases	100,483	0	65,269	35,214	35,214
Compensated Absences	1,843,061	281,361	87,586	2,036,836	89,497
<i>Total Governmental Long-Term Obligations</i>	<u>\$15,332,690</u>	<u>\$11,394,568</u>	<u>\$12,580,913</u>	<u>\$14,146,345</u>	<u>\$253,525</u>

The \$12,290,000 2002 School Improvement Note at 3.25 percent and outstanding at June 30, 2002, was rolled over into the \$11,090,000 2003 School Improvement Note, issued September 26, 2002 at 1.85 percent and maturing September 25, 2003. The note was issued at a premium of \$23,207 and is backed by the full faith of Canfield Local School District.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

Compensated absences will be paid from the general fund and the food service special revenue fund and the capital leases will be paid from the general fund and the permanent improvement capital projects fund.

The School District's overall legal debt margin was \$38,663,758 with an unvoted debt margin of \$456,960 at June 30, 2003. Principal requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Energy Conservation Note		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2004	52,012	32,038	71,000	12,780
2005	76,427	28,573	71,000	9,585
2006	80,058	24,942	71,000	6,390
2007	83,860	21,140	71,000	3,195
2008	87,844	17,156	0	0
2009-2011	314,292	25,632	0	0
<i>Total</i>	<u>\$694,493</u>	<u>\$149,481</u>	<u>\$284,000</u>	<u>\$31,950</u>

**Note 15 - Capital Leases - Lessee Disclosure**

A capital lease obligation recorded in the permanent improvement capital projects fund relates to a lease for a computer and computer equipment entered into by the School District. This lease meets the criteria for capital leases as defined by Statement of Financial Accounting Standards No.13 "Accounting for Leases." Capital assets acquired by lease have been originally capitalized in the amount of \$201,785. Accumulated depreciation on this lease was \$161,428 leaving a current book value of \$40,357. This amount represents the present value of the minimum lease payments at the time of acquisition. As of June 30, 2003, principal and interest requirements are:

Fiscal Year 2004	<u>\$36,517</u>
Less: Amount Representing Interest	<u>(1,303)</u>
Present Value of Minimum Lease Payments	<u><u>\$35,214</u></u>

**Note 16 - Set-Aside Calculations and Fund Reserves**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2002	(\$98,653)	\$0
Current Year Set-Aside Requirement	416,242	416,242
Qualifying Disbursements	(254,840)	(481,764)
Total	\$62,749	(\$65,522)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$62,749	(\$65,522)
Cash balance as of June 30, 2003	\$62,749	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 17 - Jointly Governed Organizations**

***A. Area Cooperative Computerized Educational Service System***

The Area Cooperative Computerized Educational Service System (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among other member districts.

ACCESS is governed by the ACCESS Council, a regional council of governments organized under Ohio law, pursuant to written agreement entered into by the ACCESS Council's members and bylaws adopted by representatives of the members. The ACCESS Council is governed by an elected Board consisting of the superintendents of the educational service centers of each county and two superintendents and a school district treasurer elected by an assembly of representatives of the members voting in caucus by county.

All of ACCESS and ACCESS Council's revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Council based upon a per pupil charge. Canfield Local School District paid \$96,822 to ACCESS during fiscal year 2003. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.



**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***B. Mahoning County Career and Technical Center***

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2003, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

**Note 18 - Public Entity Risk Pools**

***A. Insurance Purchasing Pools***

*Ohio School Boards Association Workers' Compensation Group Rating Program* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Ohio School Plan* - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

***B. Shared Risk Pool***

*Mahoning County Schools Employee Insurance Consortium* - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

**Canfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 19 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

The School District is a party to legal proceedings. The School District's management is of the opinion that the ultimate disposition of these claims will not have a material effect, if any, on the financial condition of the School District.

**Note 20 - Interfund Transfers**

The only transfer made during fiscal year 2003 was for \$85,000 from the general fund to the bond retirement debt service fund. The transfer was made to meet a debt service requirement paid from the bond retirement fund.

**Note 21 – Subsequent Event**

On September 25, 2003 the School District retired \$11,090,000 of school improvement notes and reissued \$9,970,000 at an interest rate of 2.0 percent. The new notes will mature on September 23, 2004.

**Note 22 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

CANFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program		10.550		\$41,982		\$41,982
National School Lunch Program		10.555	71,474		71,474	
Total Department of Agriculture - Nutrition Cluster			71,474	41,982	71,474	41,982
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster						
Special Education IDEA - Title VI-B	6B-SF-03	84.027	251,946		251,946	
Autism Grant	6B-SF-02	84.027	21,000		25,793	
Total - Special Education Cluster			272,946		277,739	
Drug Free Schools and Communities	DR-S1-02	84.186	7,469		7,469	
Baldrige Grant	G2-S4-02	84.276			10,000	
Title VI - Innovative Education Program	C2-S1-02	84.298			383	
Total Title VI	C2-S1-02	84.298	16,698		16,698	
Assistive Technology		84.352	5,515		5,515	
Improving Teacher Quality		84.367	7,711		42,837	
Total Department of Education			310,339		360,641	
Totals			<u>\$381,813</u>	<u>\$41,982</u>	<u>\$432,115</u>	<u>\$41,982</u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CANFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Canfield Local School District  
Mahoning County  
100 Wadsworth Street  
Canfield, Ohio 44406

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canfield Local School District, Mahoning County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated July 30, 2004, wherein we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 34 and increased its capitalization threshold for capital assets from \$100 to \$2,500. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated July 30, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 30, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Canfield Local School District  
Mahoning County  
100 Wadsworth Street  
Canfield, Ohio 44406

To the Board of Education:

#### **Compliance**

We have audited the compliance of Canfield Local School District, Mahoning County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 30, 2004



**CANFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

NONE

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE





**Auditor of State  
Betty Montgomery**

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**CANFIELD LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 28, 2004**